

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	
v.	)	
	)	Violations: Title 18, United States Code,
SCOTT OSIKA,	)	Sections 1341, 1346, and 2
CHARLES SCHERTZING, and	)	
JOSEPH BETTUZZI	)	

**COUNT ONE**

The SPECIAL AUGUST 2006-1 GRAND JURY charges:

1. At times material to this count:

a. Lawson Products, Inc. (“Lawson”) was a publicly traded company located in Des Plaines, Illinois, that sold products to various entities in the public and private sectors. Lawson’s products included hardware, tools, and chemicals. Lawson was the parent company of several subsidiaries. Lawson and its subsidiaries combined to generate approximately \$400 million in sales annually.

b. Drummond American Corporation (“Drummond American”), which was a subsidiary of Lawson, was located in Vernon Hills, Illinois, and sold chemical solutions and inventory control systems to the public and private sectors.

c. Lawson sold its products through sales agents. These sales agents generally were permitted by Lawson to negotiate with their customers over the prices their customers would pay for Lawson’s products. As a general rule, sales agents’ commissions were greater if they sold products at higher prices.

d. Until approximately December 15, 2005, Lawson maintained programs through which sales agents would provide items of value to employees of Lawson customers for purchasing Lawson products. As a general rule, sales agent could provide items of greater value to customers' employees when those employees purchased more products and at higher prices on behalf of their employers.

e. Keogh, Inc. ("Keogh") was a business located in Lake Bluff and Woodstock, Illinois, that administered a program for Lawson called "Winners Choice." Under this program, Keogh issued checks made payable to the recipients and to retail stores designated by the recipients. Recipients could then use these checks to purchase items in the designated retail stores. There were several steps that occurred before Keogh would issue these checks:

- i. Cold Certificates. The first step was for sales agents to place orders for "cold certificates" from Lawson, which would then inform Keogh of the orders. The sales agents would designate the recipient, the mailing address, the number of cold certificates, and the denomination of the cold certificates. Although the cold certificates were limited to \$10 or \$25 increments, sales agents could order multiple cold certificates totaling far in excess of \$25 to be sent to a recipient.
- ii. Redemption of Cold Certificates. Next, Keogh would ship, via mail or courier, the cold certificates to the recipient at the designated address. Along with the cold certificates, Keogh sent a list of retail stores participating in the Winners Choice program. To redeem the cold certificates, the recipient would fill out an order form by selecting a retail store and the address where Keogh should send the check. The recipient then sent the order form back to Keogh through the mail or online.
- iii. Hot Certificates. Once the recipient had redeemed the cold certificates, Keogh mailed one or more checks, also known as "hot certificates," to the recipient. While each check was written for \$50 or less, Keogh would mail multiple checks in one envelope if the total redemption of cold certificates exceeded \$50. The checks issued by Keogh would list two payees: (1) the individual recipient and (2) the

retail store designated by the individual recipient. After receiving the hot certificate or certificates, the individual recipient could use the check at the designated retail store.

f. Defendant **SCOTT OSIKA** was a sales agent with Drummond American and was responsible for selling products to Drummond American customers located in the Chicago area.

g. Defendant **CHARLES SCHERTZING** was the Director of Maintenance for School District 72, which provided public education to residents of the Village of Skokie in the Northern District of Illinois. In that capacity, **SCHERTZING** was responsible for purchasing supplies for the operation and maintenance of the public school building and facilities within District 72. Based on his position as the Director of Maintenance, **SCHERTZING** owed a duty of honest services to School District 72, including a duty of undivided loyalty, free of conflict between his personal interests and the public interests of School District 72. Unbeknownst to defendant **OSIKA**, in about November 2003, **SCHERTZING** began cooperating with law enforcement.

h. Defendant **JOSEPH BETTUZZI** was the Director of Maintenance for School District 64, which provided public education to residents of the Village of Niles in the Northern District of Illinois. In that capacity, **BETTUZZI** was responsible for purchasing supplies for the operation and maintenance of the public school building and facilities within District 64. As part of his duties, **BETTUZZI** purchased chemical solutions on behalf of the District 64. Based on his position as the Director of Maintenance, **BETTUZZI** owed a duty of honest services to School District 64, including a duty of undivided loyalty, free of conflict between his personal interests and the public interests of the School District 64.

i. **SCHERTZING** and **BETTUZZI**, in their respective capacities, were each bound, pursuant to the criminal laws of the State of Illinois (720 ILCS 5/33-1 and 720 ILCS 5/33-3)

by the following laws, duties, and policies:

- i. **SCHERTZING** and **BETTUZZI** were each prohibited from receiving, retaining, and agreeing to accept any property or personal advantage which they were not authorized by law to accept, knowing that such property or personal advantage was promised or tendered with intent to influence the performance of any act related to the employment or function of any public officer or public employee;
- ii. **SCHERTZING** and **BETTUZZI** were each prohibited from soliciting, receiving, retaining, and agreeing to accept any property or personal advantage pursuant to an understanding that they shall improperly influence or attempt to influence the performance of any act related to the employment or function of any public officer or public employee;
- iii. **SCHERTZING** and **BETTUZZI** were each prohibited from soliciting and knowingly accepting, for the performance of any act, a fee or reward which they knew was not authorized by law.

2. Beginning no later than in or about November 15, 2001 and continuing until at least January 26, 2005, at Woodstock, Lake Bluff, Des Plaines, Niles, and Skokie, in the Northern District of Illinois,

**SCOTT OSIKA,  
CHARLES SCHERTZING, and  
JOSEPH BETTUZZI,**

defendants herein, together with others known and unknown to the Grand Jury, devised and intended to devise, and participated in, a scheme and artifice to defraud School District 72 and School District 64 (collectively, the “School Districts”) of money, property, and the intangible right to the honest services of the School Districts’ employees, and to obtain money and property, by means of materially false and fraudulent pretenses, representations, and promises, as further alleged herein.

3. It was part of the scheme that **OSIKA** offered and agreed to provide **SCHERTZING** and **BETTUZZI** with Winners Choice checks in order to induce them to purchase, and to reward

them for purchasing, merchandise such as chemical solutions from Drummond American on behalf of the School Districts.

4. It was further part of the scheme that **OSIKA** informed **SCHERTZING** that the Winners Choice certificates were “cash,” were “non-traceable,” and could not be linked to Drummond American.

5. It was further part of the scheme that after **SCHERTZING** and **BETTUZZI** purchased merchandise from Drummond American, **OSIKA** ordered Winners Choice cold certificates for **SCHERTZING** and **BETTUZZI** from Keogh through Lawson. As a general rule, **OSIKA** ordered a larger amount of Winners Choice cold certificates for **SCHERTZING** and **BETTUZZI** when they caused the School Districts to make purchases of a greater dollar value from **OSIKA**.

6. It was further part of the scheme that **OSIKA** hand delivered and caused Keogh to mail Winners Choice cold certificates to the home address of **SCHERTZING** and **BETTUZZI** to conceal from their employers the fact that **OSIKA** had provided items of value to **SCHERTZING** and **BETTUZZI**.

7. It was further part of the scheme that **SCHERTZING** and **BETTUZZI** redeemed the Winners Choice cold certificates and caused Keogh to mail checks back to them.

8. It was further part of the scheme that **SCHERTZING** and **BETTUZZI** used the Winners Choice checks to purchase items for their own use.

9. It was further part of the scheme that **OSIKA** provided other items of value to **SCHERTZING**, such as a Carhartt jacket.

10. It was further part of the scheme that when **SCHERTZING** informed **OSIKA**, at the

direction of law enforcement, that School District 72 was objecting to the large amount of supplies ordered from Drummond American, **OSIKA** told **SCHERTZING** to cause a third-party to order supplies from Drummond American and then sell the same supplies back to the school at a higher price.

11. It was further part of the scheme that **OSIKA** ordered Winners Choice gift certificates for **SCHERTZING** based on the third-party order that **OSIKA** believed was being re-sold to the School District 72 at a higher price.

12. It was further part of the scheme that defendants misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, the purposes of and acts done in furtherance of the aforementioned scheme.

13. As a result of the scheme, **OSIKA** obtained substantial commissions on sales to the School Districts, and fraudulently provided:

- a. **SCHERTZING** with approximately \$2,200 to which he was not entitled;
- b. **BETTUZZI** with approximately \$1,700 to which he was not entitled.

14. On or about September 24, 2003, at Niles, in the Northern District of Illinois,

**SCOTT OSIKA and  
CHARLES SCHERTZING,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **SCHERTZING** containing \$100 worth of Winners Choice certificates, addressed to **SCHERTZING's** home address in Niles, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

## **COUNT TWO**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 15 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about June 30, 2003, at Niles, in the Northern District of Illinois,

**SCOTT OSIKA and  
CHARLES SCHERTZING,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **SCHERTZING** containing \$125 worth of Winners Choice certificates, addressed to **SCHERTZING's** home address in Niles, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

**COUNT THREE**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 15 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about April 28, 2003, at Niles, in the Northern District of Illinois,

**SCOTT OSIKA and  
CHARLES SCHERTZING,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **SCHERTZING** containing \$100 worth of Winners Choice certificates, addressed to **SCHERTZING's** home address in Niles, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.



#### **COUNT FOUR**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 15 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about October 3, 2002, at Niles, in the Northern District of Illinois,

**SCOTT OSIKA and  
JOSEPH BETTUZZI**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **BETTUZZI** containing \$125 worth of Winners Choice checks, addressed to **BETTUZZI**'s home address in Niles, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

**COUNT FIVE**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 15 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.
2. On or about January 14, 2003, at Niles, in the Northern District of Illinois,

**SCOTT OSIKA and  
JOSEPH BETTUZZI**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **BETTUZZI** containing \$125 worth of Winners Choice checks, addressed to **BETTUZZI**'s home address in Niles, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

**COUNT SIX**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 15 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about August 15, 2003, at Niles, in the Northern District of Illinois,

**SCOTT OSIKA and  
JOSEPH BETTUZZI**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **BETTUZZI** containing \$125 worth of Winners Choice checks, addressed to **BETTUZZI**'s home address in Niles, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

## **FORFEITURE ALLEGATIONS**

The SPECIAL AUGUST 2006-1 GRAND JURY further alleges:

1. The allegations contained in Counts One through Six of this Indictment are realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of their violations of Title 18, United States Code, Sections 1341, as alleged in Counts One through Six,

**SCOTT OSIKA,  
CHARLES SCHERTZING, and  
JOSEPH BETTUZZI**

defendants herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section, 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title and interest in property, real and personal, which constitutes and is derived from proceeds traceable to the charged offenses.

3. The interests of the defendants subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c) include but are not limited to:

a. approximately \$60,177, which represents all proceeds, including commissions, that defendant **OSIKA** received from selling merchandise to the School Districts;

b. approximately \$2,200, which represents all proceeds, including Winners Choice checks, that defendant **SCHERTZING** received from purchasing merchandise from **OSIKA** on behalf of School District 72;

c. approximately \$1,575, which represents all proceeds, including Winners

Choice checks, that defendant **BETTUZZI** received from purchasing merchandise from **OSIKA** on behalf of School District 64.

4. If any of the property subject to forfeiture and described above, as a result of any act or omission of the defendants:

- a. Cannot be located upon the exercise of due diligence;
- b. Has been transferred or sold to, or deposited with, a third party;
- c. Has been placed beyond the jurisdiction of the Court;
- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be divided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

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FOREPERSON

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UNITED STATES ATTORNEY